

300—Calculation of Approved Indirect Cost Rate in SACS

In 1996 the United States Department of Education (USDE) approved a method for calculating indirect cost rates for California's LEAs and delegated the authority to CDE to annually calculate and approve indirect cost rates for school districts and county offices of education.

For more information about the indirect cost rate calculation method approved for California, please refer to the letter dated September 16, 1996, regarding "Indirect Cost Allocation Plan and Indirect Cost Rates for Local Educational Agencies," available on the CDE Web site:

<http://www.cde.ca.gov/fiscal/financial/indirect.htm>

Components of the Calculation in SACS

The indirect cost rate is determined by dividing the indirect costs of an LEA by the LEA's other expenditures. The unaudited actual expenditure data from SACS, in combination with certain supplemental data provided by the LEA, are used to categorize all expenditures as indirect, base, or other costs. The indirect costs are the numerator of the indirect cost rate calculation, and the base costs are the denominator of the calculation. A few other costs, such as debt service and facility construction, are excluded from the calculation. (An example of how to record indirect costs may be found in Section 202, Example 4.)

Indirect Costs (Numerator)

Indirect costs are the General Fund costs of general management (i.e., activities that are for the direction and control of the LEA's affairs) that are organization-wide. Indirect costs consist of expenditures for administrative activities that are not readily identifiable to a particular goal but are necessary for the general operation of the LEA (e.g., accounting, budgeting, payroll preparation, personnel management, purchasing, warehousing, data processing). Also included in indirect costs is a proportionate share of any maintenance and operations costs and facilities rents and leases attributable, based on space occupied, to these administrative activities. The numerator also includes carry-forward adjustments that are an integral part of the indirect cost rate calculation method approved by USDE. (Refer to the Indirect Cost Rate Worksheet at the end of this section for a list of the components that appear in the numerator.)

Base Costs (Denominator)

Base costs are almost all of the remaining General Fund costs of the LEA except for debt service and facility construction, which are excluded entirely from the calculation. Examples of base costs include teachers' salaries, benefits, supplies, contracts for services, rents, board and superintendent costs, facilities rents and leases and maintenance and operations costs (except for the administrative portion), and those data processing services attributable to a specific function. Besides the General Fund, similar expenditures from three special revenue funds (Adult Education, Cafeteria, and Child Development) and one enterprise fund (Cafeteria) are included. Other governmental funds, such as Deferred Maintenance or Capital Facilities, proprietary funds other than Cafeteria, and fiduciary funds are not included in the base costs. (Refer to the Indirect Cost Rate Worksheet for a list of the components that appear in the denominator.)

Supplemental Data

To ensure that indirect cost rates derived from SACS are consistent with the indirect cost plan method approved by USDE, two supplemental pieces of information must be gathered at the time the indirect cost rate is calculated. First, to enable LEAs to include the administrative activities portion of maintenance and operations and facilities rents and leases in indirect costs, the "classroom unit"

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allocation factor is used to split these costs proportionately between the numerator and denominator of the calculation.

Second, if there are data processing services in the Undistributed goal that are attributable to a particular function, these must be identified as well, allowing them to be redistributed from indirect costs to base costs.

Once calculated and approved, the indirect cost rates may be used to recover indirect costs from programs in the second subsequent fiscal year (e.g., rates calculated on 2002-03 expenditures are applied to programs in 2004-05).

**2002-03 Unaudited Actuals
Indirect Cost Rate Worksheet
General Fund**

Indirect Cost Rate Calculation

A. Indirect Costs (numerator)

1. Other General Administration (Functions 7200–7600, Objects 1100–5900, 6400, and 6500)
2. Data Processing Services (goals 0000 and 9000, Function 7700, Objects 1100–5900, 6400, 6500, and 7310–7350, less data processing services costs redistributed to the base costs)
3. Plant Maintenance and Operations (Functions 8100–8400, Objects 1100–5900, 6400, and 6500, times the percentage of total classroom units attributable to other general administration, data processing services, and plant maintenance and operations)
4. Facilities Rents and Leases (Function 8700, Object 5600, times the percentage of total classroom units attributable to other general administration, data processing services, and plant maintenance and operations)
5. Total Indirect Costs (sum A1 through A4)
6. Carry-Forward Adjustment (A5 plus 2nd prior year carry forward adjustment, minus [2nd prior year indirect cost rate times B13])
7. Total Adjusted Indirect Costs (A5 plus A6)

B. Base Costs (denominator)

1. Instruction (Functions 1000–1999, Objects 1100–5900, 6400, and 6500)
2. Instruction-Related Services (Functions 2000–2999, Objects 1100–5900, 6400, and 6500)
3. Pupil Services (Functions 3000–3999, Objects 1100–5900, 6400, and 6500)
4. Ancillary Services (Functions 4000–4999, Objects 1100–5900, 6400, and 6500)
5. Community Services (Functions 5000–5999, Objects 1100–5900, 6400, and 6500)
6. Board and Superintendent (Functions 7100–7180, Objects 1100–5900, 6400, and 6500)
7. Data Processing Services (goals 0001–8999, Function 7700, Objects 1100–5900, 6400, 6500, and 7310–7350, plus data processing services costs redistributed to the base costs)
8. Plant Maintenance and Operations (Functions 8100–8400, Objects 1100–5900, 6400, and 6500 minus A3)
9. Facilities Rents and Leases (Function 8700, Object 5600 minus A4)
10. Adult Education (Fund 11, Objects 1100–5900)
11. Child Development (Fund 12, Objects 1100–5900)
12. Cafeteria (Funds 13 and 61, Objects 1100–5900)
13. Total Base Costs (sum B1 through B12)

C. Straight Indirect Cost Percentage Before Carry-Forward Adjustment (For information only – not for use when claiming/recovering indirect costs)
(A5 divided by B13)

D. Indirect Cost Rate (Fixed with carry-forward rate, for use in 2004-05, subject to CDE approval)
(A7 divided by B13)

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2002-03 Unaudited Actuals Indirect Cost Rate Worksheet County School Service Fund

Indirect Cost Rate Calculation

A. Indirect Costs (numerator)

1. Other General Administration (goals 0000–8500 and 9000, Functions 7200–7600, Objects 1100–5900, 6400, and 6500)
2. Data Processing Services (goals 0000 and 9000, Function 7700, Objects 1100–5900, 6400, 6500, and 7310–7350, less data processing services costs redistributed to the base costs)
3. Plant Maintenance and Operations (Functions 8100–8400, Objects 1100–5900, 6400, and 6500, times the percentage of total classroom units attributable to other general administration, data processing services, and plant maintenance and operations)
4. Facilities Rents and Leases (Function 8700, Object 5600, times the percentage of total classroom units attributable to other general administration, data processing services, and plant maintenance and operations)
5. Total Indirect Costs (sum A1 through A4)
6. Carry-Forward Adjustment (A5 plus 2nd prior year carry forward adjustment, minus [2nd prior year indirect cost rate times B14])
7. Total Adjusted Indirect Costs (A5 plus A6)

B. Base Costs (denominator)

1. Instruction (Functions 1000–1999, Objects 1100–5900, 6400, and 6500)
2. Instruction-Related Services (Functions 2000–2999, Objects 1100–5900, 6400, and 6500)
3. Pupil Services (Functions 3000–3999, Objects 1100–5900, 6400, and 6500)
4. Ancillary Services (Functions 4000–4999, Objects 1100–5900, 6400, and 6500)
5. Community Services (Functions 5000–5999, Objects 1100–5900, 6400, and 6500)
6. Board and Superintendent (Functions 7100–7180, Objects 1100–5900, 6400, and 6500)
7. Other General Administration (Goal 8600, Functions 7200–7600, Objects 1100–5900, 6400, and 6500)
8. Data Processing Services (goals 0001–8999, Function 7700, Objects 1100–5900, 6400, 6500, and 7310–7350, plus data processing services costs redistributed to the base costs)
9. Plant Maintenance and Operations (Functions 8100–8400, Objects 1100–5900, 6400, and 6500 minus A3)
10. Facilities Rents and Leases (Function 8700, Object 5600 minus A4)
11. Adult Education (Fund 11, Objects 1100–5900)
12. Child Development (Fund 12, Objects 1100–5900)
13. Cafeteria (Funds 13 and 61, Objects 1100–5900)
14. Total Base Costs (sum B1 through B13)

C. Straight Indirect Cost Percentage Before Carry-Forward Adjustment (For information only – not for use when claiming/recovering indirect costs) (A5 divided by B14)

D. Indirect Cost Rate (Fixed with carry-forward rate, for use in 2004-05, subject to CDE approval) (A7 divided by B14)